Funding for Schools

Facts about school funding and how districts can pay for capital improvements without raising tax rates

Pattonville can issue $20 to $23 million in bonds to pay for items in a new facilities plan without increasing the debt service tax rate that residents pay. This winter, the Pattonville Board of Education is expected to review and vote on the draft facilities plan and determine a funding mechanism after the community has had an opportunity to provide feedback.

Two funding sources ... Two different purposes

Operating Levy

Funds normal, everyday operations of the district

This portion of Pattonville's tax rate collects funds to pay for the day-to-day operating needs of the district. This includes salaries (which account for 80 percent of the district's operating budget), textbooks, benefits, transportation and utilities.

Debt Service Levy

Funds capital improvements approved by voters

This portion of Pattonville's tax rate is used to repay debt incurred through issuing bonds to finance large-scale, long-lasting projects that cannot be accomplished through the normal operating budget. This includes projects such as construction, repairs and technology.

By law, the debt service levy <u>cannot</u> be used to pay for items in the district's normal operating budget, such as salaries and textbooks. It can only be used for the sole purpose of repaying debt incurred by issuing bonds for large-scale capital projects.

Why is now an ideal time to use bond issue funding?

Each year, Pattonville sets aside funds in its operating budget to take care of routine maintenance and repair needs, but with schools that are mostly between 50 to 60 years old, the needs far exceed what can be accomplished through the normal budget process. For this reason, Pattonville uses bond issue funds to address larger repair, replacement, maintenance and building needs.

- **Using bond funds protects monies that directly impact teaching and learning -** Completing expensive repair, maintenance and upgrades through bond issue funding ensures the growing facility needs of aging schools do not become a burden to the operating budget and impact the day-to-day operations of the district.
- **Operating budget not sufficient to meet all the needs -** Most of the projects in the draft facilities plan could not be accomplished through the operating budget due to the cost involved in completing them.
- **Many projects are immediate needs -** Many projects related to aging equipment and facilities are immediate needs that should be addressed as soon as possible, especially those related to safety and security issues.
- **Costs will increase in the future -** Any projects that are delayed due to the availability of funding, especially the more expensive ones, will cost more in the future.

Keeping Our Promises

On previous zero tax rate increase bond issues

In 2006 and 2010, voters approved zero tax rate increase bond issues, which are funded by the portion of Pattonville's tax levy known as the debt service levy. Pattonville committed to keeping its debt service levy at 49 cents when voters approved these bond issues, and the district has kept this promise despite being legally able to adjust the rate due to decreases in property values. The chart below shows what the rate could have been over the last eight years.

Year	Rate Pattonville Could Have Legally Levied	Actual Rate Levied by Pattonville, as Promised to Voters
2016	$0.5930	$0.49
2015	$0.8200	$0.49
2014	$0.6430	$0.49
2013	$0.6810	$0.49
2012	$0.7590	$0.49
2011	$0.5150	$0.49
2010	$0.5040	$0.49
2009	$0.5390	$0.49

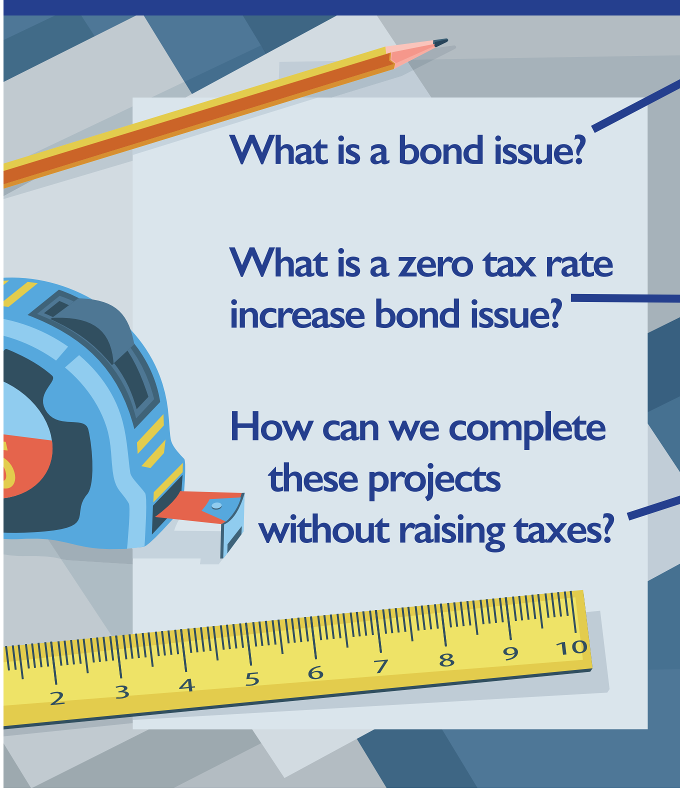
On reduced residential rate increase following the passage of Prop P

In November 2013, Pattonville voters approved Proposition P, an operating levy tax rate increase that prevented Pattonville from having to cut $10 million in its budget after already cutting $8 million between 2007 and 2013. Proposition P was an overall tax rate increase of $0.9972 designed to maintain and protect Pattonville's current instructional programs and staffing levels. When placing the increase on the 2013 ballot, Pattonville committed to voluntarily limiting the increase to 35 cents for homeowners for as many years as possible in order to reduce the burden on residents. This is possible because St. Louis County levies rates by four different classes of property: residential, commercial, personal and agricultural. Pattonville kept this promise.

Class of Property	2013-2014 (Before Prop P)	2014-2015 (After Prop P)	2015-2016 (After Prop P)	2016-2017 (After Prop P)
Residential	$4.5213	$4.8800	$4.8800	$4.8800
Agricultural	$4.4144	$5.4951	$5.2048	$4.9642
Commercial	$4.8546	$5.6588	$5.7057	$5.6763
Personal Prop.	$4.2674	$5.5973	$5.5863	$5.5843

Notes: All rates include the operating levy and the 49-cent debt service levy.

Using bond issues to fund facilities projects



School districts use bond issues to fund large and long-range construction, maintenance or repair projects that would be too costly to cover with existing budget funds. In a bond issue, a school district borrows money by issuing promissory notes that it will repay its investors. In a zero tax rate increase bond issue, a school district is able to fund repayment of the bonds through its existing budget, without raising its tax rate that is devoted to paying down debts (debt service levy).

A zero tax rate increase bond issue works much like a home equity loan, where a homeowner who pays down his or her debt is able to spend up to his or her credit limit again for new projects without paying more in his or her monthly loan payment.

Bonds are low-interest loans the district pays back using funds from its debt service levy. Funds from the debt service levy cannot be used to pay for salaries, classroom supplies or other routine, budgeted items. Pattonville's funding situation allows the district to borrow between $20 to $23 million in bond funds without raising the debt service levy to repay the financing. This is the same situation that occurred when Pattonville voters approved zero tax rate increase bond issues in 2006 and 2010 to complete repairs and improvements to our schools. Because of this, Pattonville could complete the projects in a new facilities plan using its existing levy, without using operating funds that support teaching and learning in the classroom (books, supplies, salaries, etc).